

Revised Form SS-4, Application for Employer Identification Number, requires identification of responsible party

The Internal Revenue Service revised Form SS-4, Application for Employer Identification Number, to clearly identify the applicant's true owner. Effective January 2010, all mail, fax, phone, and electronic EIN applications must disclose the name and taxpayer identification number of the true "responsible party" for the entity requesting an EIN.

For an EIN applicant that is publically traded or is registered with the Securities and Exchange Commission, the "responsible party" is the principal officer, general partner, grantor, owner of a disregarded entity, owner, or trustor, depending on the business entity of the applicant. For all other entities, the "responsible party" is the person who can control, manage, or direct the entity and the disposition of the entity's funds and assets.

A nominee is an entity with delegated authority to act in name only and can never be the "responsible party" for the Form SS-4 application. The IRS does not accept the use of nominees to obtain EINs. The SS-4 must be signed by an individual with the authority to legally bind the entity; therefore, it cannot be signed by a nominee.

Prior to the SS-4 revision, taxpayers obtained EINs using nominee individuals for the EIN application process. Entities that used nominees on their applications should consider updating the information shown on the original application. Third party designees filing online applications must retain a complete copy of the paper Form SS-4, signed by the responsible party, and a signed authorization statement, for each EIN application filed with the IRS.

Using nominees in the EIN application process prevents the IRS from gathering appropriate information on entity ownership. It may also facilitate tax non-compliance by entities and their owners. Clearly identifying an entity's true owner makes it difficult for taxpayers to conceal their income and assets. The IRS will pursue penalties, injunctions, or other enforcement action to prevent the misuse of EIN applications.

Should you be making estimated tax payments?

Taxpayers with income that is not subject to withholding may have to make [estimated tax payments](#) four times a [year](#).

You generally have to make estimated tax payments if you expect to owe tax, including [self-employment tax](#), of \$1,000 or more when you file your return.

Is there a small business workshop near you?

Local small business [workshops](#) are presented by IRS partners who are federal tax specialists. Workshop topics vary from a general overview of taxes to more specific topics such as recordkeeping and retirement plans.

Recent Legislation Offers Special Tax Incentives for Small Businesses to Provide Health Care, Hire New Workers

A variety of business tax deductions and credits were created, extended and expanded by the American Recovery and Reinvestment Act of 2009 ([ARRA](#)), this year's Hiring Incentives to Restore Employment ([HIRE](#)) Act and the [Affordable Care Act](#). Because some of these changes are only available this year, eligible businesses only have a few months to take action and save on their taxes. Here is a rundown of some of the key provisions.

New Health Care Tax Credit Helps Small Employers

The small business health care tax credit, created under the Affordable Care Act, is designed to encourage small employers to offer health insurance coverage for the first time or maintain coverage they already have.

The credit takes effect this year and is generally available to small employers that pay at least half the cost of single coverage for their employees in 2010. The credit is specifically targeted to help small employers that primarily employ low- and moderate-income workers.

For tax years 2010 to 2013, the maximum credit is 35 percent of premiums paid by eligible small business employers. The maximum credit goes to smaller employers — those with 10 or fewer full-time equivalent (FTE) employees — paying annual average wages of \$25,000 or less. The credit is completely phased out for employers with more than 25 FTEs or with average wages of more than \$50,000.

Because the eligibility rules are based in part on the number of FTEs, not the number of employees, businesses that use part-time help may qualify even if they employ more than 25 individuals. More information about the [credit](#), including a [step-by-step guide](#) and [answers to frequently asked questions](#), is available on the IRS website.

Two New Benefits for Employers that Hire and Retain Recently Unemployed

Employers who hire unemployed workers this year (after Feb. 3, 2010, and before Jan. 1, 2011) may qualify for a 6.2-percent payroll tax incentive, in effect exempting them from the employer's share of Social Security tax on wages paid to these workers after March 18. In addition, for each qualified employee retained for at least a year whose wages did not significantly decrease in the second half of the year, businesses may claim a new hire retention credit of up to \$1,000 per worker on their income tax return.

These tax benefits are especially helpful to employers who are adding positions to their payrolls. New hires filling existing positions also qualify but only if the workers they are replacing left voluntarily or for cause. Family members and other relatives generally do not qualify.

Employers must get a signed statement from each eligible new hire, certifying under penalties of perjury, that he or she was not employed for more than 40 hours during the 60 days before beginning employment with that employer. IRS [Form W-11](#) can be used to meet this requirement. Further details, including [answers to frequently asked questions](#), are posted on IRS.gov.

Work Opportunity Tax Credit Aids Employers That Hire Certain Workers

The work opportunity tax credit (WOTC) offers tax savings to businesses that hire employees belonging to various targeted groups. These groups include people ages 18 to 39 living in designated communities in 43 states and the District of Columbia, recipients of various types of public assistance, certain veterans, ex-felons and certain youth workers. The [instructions for Form 8850](#) detail the requirements for each of these groups.

Certification by the state workforce agency is generally required. Normally, a business must file [Form 8850](#) with the state workforce agency within 28 days after the eligible worker begins work.

An eligible employer can claim both the WOTC and the new hire retention credit for the same employee. However, an employer may not claim both the payroll tax exemption and the WOTC for the same employee. Therefore, any employer that chooses to apply the exemption to wages paid to a qualified

employee may not receive the WOTC on any wages paid to that employee during the one-year period beginning on the employee's hiring date.

Exclusion of Gain on the Sale of Certain Small Business Stock

An extra incentive is now available to individuals who invest in small businesses. Investors in qualified small business stock can exclude 75 percent of the gain upon sale of the stock. This increased exclusion applies only if the qualified small business stock is acquired after Feb. 17, 2009, and before Jan. 1, 2011, and held for more than five years. For previously-acquired stock, the exclusion rate remains at 50 percent in most cases.

COBRA Credit

Employers that provide the 65 percent COBRA premium subsidy to eligible former employees can claim credit for this subsidy on their quarterly or annual payroll tax returns. To help avoid imposing an unnecessary cash-flow burden, affected employers can reduce their payroll tax deposits by the amount of the credit. For details, see the [instructions](#) for [Form 941](#).

Small business owners can find a variety of helpful on-line resources in the [Small Business and Self-Employed Tax Center](#) on IRS.gov.